

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
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APR 07 2010

To: Distribution List

Assembly Bill 1X (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power suppliers, authorized DWR to issue revenue bonds and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Divisions' (CERS) activities. The accompanying report contains results of operating activities with detail on remittance revenues, long-term power contract and administrative expenditures and CERS financial position as of September 30, 2009.

If you have any questions, please contact me at (916) 653-7007 or your staff may contact Russell Mills, Chief, Financial Management Office, at (916) 574-2756.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark W. Cowin'.

Mark W. Cowin
Director

Attachments

Distribution List

Electronic copy of one-page summary distributed to all members of the Legislature

Mr. Gregory P. Schmidt
Secretary of the Senate
State Capitol, Room 400
Sacramento, California 95814

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Attention: Diane Anderson

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California Natural Resources Agency
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**Report to the Legislature
Assembly Bill 1X, Chapter 4, Statutes of 2001
Activities and Expenditures Report for Quarter Ended September 30, 2009**

Assembly Bill 1X (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power generators, created the Power Supply Revenue Bond program and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Divisions' (CERS) activities.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and oversees repayment of the outstanding revenue bonds.

As required by Assembly Bill 1X, this report provides historical information with respect to cash receipts, disbursements, bonds outstanding and cash balances for the quarter ended September 30, 2009. There are no unexpected trends, and cash balances at the end of this quarter met or exceeded amounts required by the Trust Indenture for the Power Supply Revenue Bonds. The report also compares CERS' 2010 fiscal year appropriated costs to budget for the quarter ended September 30, 2009, and demonstrates that CERS' expenditures are within budget.

This report is available on the DWR website at www.cers.water.ca.gov.

California Energy Resources Scheduling

A Division of

California Department of Water Resources

**Activities and Expenditures Report
Quarter Ended September 30, 2009**

(Provides Data as Required by Section 80250 of the California Water Code)



Activities and Expenditures Report

For The Quarter Ended September 30, 2009

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Activities and Expenditures Report

Preface

Pursuant to the reporting requirement in Section 80250 of the California Water Code, the following information reflects energy acquisition activities and expenditures incurred by the California Energy Resources Scheduling Division (CERS) of the Department of Water Resources for the third calendar quarter of calendar year 2009. Included are all costs related to energy acquisition and administration.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and will oversee repayment of the revenue bonds.

The audited financial statements for the years ended June 30, 2009 and 2008 and the interim unaudited quarterly statements, prepared in accordance with generally accepted accounting principles, can be referenced at the following link: http://www.cers.water.ca.gov/financial_bonds.cfm.

This report is available on the DWR website at www.cers.water.ca.gov.

Cash Balances

September 30, 2009

(in millions)

Power Accounts

Operating and Priority Contract Accounts
Operating Reserve Account

Total Power Account Balances

\$	1,095
	543
\$	<u>1,638</u>

Bond Accounts

Bond Charge Collection Account
Bond Charge Payment Account
Debt Service Reserve Account

Total Bond Account Balances

\$	343
	520
	950
\$	<u>1,812</u>

Note: All cash balances met the requirements of the Bond Indenture at quarter end and for each day during the quarter.

Revenues from IOU Ratepayers

Quarter Ended September 30, 2009

(in millions)

	Pacific Gas & Electric	San Diego Gas & Electric	Southern California Edison	Total
<u>Power Charges</u>				
Quarter Ended September 30, 2009	\$ 476	\$ 131	\$ 349	\$ 957
<u>Bond Charges</u>				
Quarter Ended September 30, 2009	\$ 107	\$ 23	\$ 106	\$ 236

DWR Contract Expenditures for the Benefit of Ratepayers

Quarter Ended September 30, 2009 (in millions)

<u>Utility</u>	Total Power	Total MWh	Total Gas	Total MMBtu
	Costs		Costs	
Pacific Gas & Electric	\$ 261	4.02	\$ 19	2.21
Southern California Edison	270	6.76	129	32.64
San Diego Gas & Electric	109	1.38	23	6.51
Total	<u>\$ 639</u>	<u>12.17</u>	<u>\$ 172</u>	<u>41.36</u>

Power Revenue Bonds

September 30, 2009

(in millions)

Series	Initial Principal Amount	September 30, 2009 Outstanding Principal Amount	Interest Rate Mode
Initial Issues			
Series 2002A	\$ 6,314	\$ 2,458	Fixed
Series 2002B	1,000	1,000	Variable
Series 2002C	2,750	2,229	Variable
Series 2002D	500		
Series 2002E (Taxable)	700		
Total	\$ 11,264		
Refunding Issues			
Series 2005F	\$ 759	\$ 758	Variable and Fixed
Series 2005G	1,835	819	Variable and Fixed
Series 2008H	1,007	1,007	Fixed
Series 2008I	150	150	Variable
Series 2008J	130	329	Variable
Series 2008K	279	279	Fixed
Total	\$ 4,160		
Total Bonds Outstanding		\$ 9,029	

Appropriated Costs

Fiscal Year Ending June 30, 2010

(in millions)

	Annual Budget for Fiscal Year Ending June 30, 2010	Pro rated Budget for three months Ended September 30, 2009	Actual Expenditures through September 30, 2009
Salaries, Benefits and Distributed Administrative Costs	\$7.9	\$2.0	\$1.5
Consulting Companies and Personal Service Consultants	9.0	2.3	1.2
Other Operating Expenses and Equipment	1.9	0.5	0.8
Subtotal	18.8	4.7	3.5
Allocation of State Wide Pro-Rata Costs	7.3	1.8	1.8
TOTAL ADMINISTRATIVE COSTS	\$26.1	\$6.5	\$5.3